

An Overview of the Group's Financial Results and Position

Last Year's Consolidated Balance Sheet As at 31/3/2004

	HK\$'000
Assets	
Fixed assets	8,289
Jointly controlled entities	2,164
Deferred tax assets	477
Accounts receivable	51,500
Bank balances and cash	117,087
Current portion of long-term bank loan	(20,000)
Other net current liabilities	(10,812)
	<u>148,705</u>
Shareholders' funds and non-current liabilities	
Share capital	33,200
Other reserves	27,572
Retained profits	86,992
Minority interest	460
Deferred tax liabilities	481
	<u>148,705</u>

Consolidated Cash Flow Statement For the year ended 31/3/2005

	HK\$'000
6 Cash generated from operations	36,015
Interest paid	(49)
Hong Kong profits tax paid	(5,662)
	<u>30,304</u>
Net cash from operating activities	30,304
Purchase of fixed assets	(5,860)
Proceeds from disposal of fixed assets	94
Proceeds from disposal of other investments	1,002
Interest received	508
7 Capital injection into an associated company	(425)
8 Repayment of bank loan	(20,000)
Dividends paid	
– 2004 final dividend paid	(9,960)
– 2005 interim dividend paid	(6,640)
	<u>(16,600)</u>
Net decrease in cash and cash equivalents	(10,977)
Cash and cash equivalents as at 31/3/2004	117,087
	<u>106,110</u>
Cash and cash equivalents as at 31/3/2005	106,110

Consolidated Profit and Loss Account For the year ended 31/3/2005

	HK\$'000
1 Turnover	382,445
Cost of sales	(303,216)
	<u>79,229</u>
Gross profit	79,229
Other revenues	2,933
2 General and administrative expenses	(51,352)
	<u>30,810</u>
Operating profit	30,810
Finance costs	(13)
3 Share of net losses of jointly controlled entities	(166)
	<u>30,631</u>
Profit before taxation	30,631
Taxation	(5,054)
	<u>25,577</u>
Profit for the year	25,577
Minority interest	260
	<u>25,837</u>
4 Profit attributable to shareholders	25,837
5 Dividends:	
Interim paid	6,640
Final proposed	13,280
	<u>19,920</u>

This Year's Consolidated Balance Sheet As at 31/3/2005

	HK\$'000
Assets	
Fixed assets	9,842
Jointly controlled entities	1,996
Associated company	425
Deferred tax assets	111
9 Accounts receivable	59,899
Bank balances and cash	106,110
Current portion of long-term bank loan	-
Other net current liabilities	(20,286)
	<u>158,097</u>
Shareholders' funds and non-current liabilities	
Share capital	33,200
10 Other reserves	27,572
Retained profits	96,229
Minority interest	200
Deferred tax liabilities	896
	<u>158,097</u>

Movement of Retained Profits For the year ended 31/3/2005

	HK\$'000
Balance as at 31/3/2004	86,992
Profit attributable to shareholders	25,837
2004 final dividend paid	(9,960)
2005 interim dividend paid	(6,640)
Balance as at 31/3/2005	<u>96,229</u>

- 1 Despite the difficult market conditions, the Group's turnover slightly decreased by 1.4% to HK\$382.4 million for FY2005. This decrease is largely due to two significant HKHA contracts were not available for re-rendering on contract expiry. However, Synergis was able to counterbalance the loss of revenue almost entirely with growth in other areas, by diversifying its customer base and maintaining a 99% contract renewal rate.
- 2 General and administrative expenses increased by 1.1% to HK\$51.3 million which was primarily attributable to additional costs for recruiting, training and developing the "right" people; depreciation of new investment in IT infrastructure and financial applications; and the full year effect on expenses in connection with public listing of the Group.
- 3 Share of losses of jointly controlled entities reduced by 78.5% to HK\$166,000. Improved results were mainly attributed from joint venture with Shui On in Shanghai which contributed HK\$205,000 profits to the Group, against a share of loss HK\$164,000 in the previous year.
- 4 Return on equity was at 16.9% and earnings per share amounted to 7.8 HK cents.
- 5 Interim dividend of 2.0 HK cents per share was paid in December 2004. Together with the proposed final dividend of 4.0 HK cents per share, total dividend of 6.0 HK cents per share were paid or declared by the Company.
- 6 Cash generated from operating activities increased substantially to HK\$36.0 million compared to HK\$15.9 million in FY2004. This dramatic improvement in cash flow was a result of the extensive efforts undertaken by management working closely with the HKHA on the collection of receivables due from PSC Contracts. As a result, there is a significant improvement in free cash flow per dollar of operating profit which increased to 78.3% from 12.8% in the previous year.
- 7 Capital injection into an associated company representing our contribution to Beijing Financial Street Synergis Property Management Company Limited, a new joint venture established in February 2005 to provide facility management services to Xihuan Plaza in Beijing, in which the Group has a 30% equity interest.
- 8 The outstanding bank loan of HK\$20.0 million at March 31, 2004 was fully repaid on time, and the Group had no bank borrowing at March 31, 2005.
- 9 Trade receivables increased by 16.3% to HK\$59.9 million of which HK\$40.9 million was due from PSC Batch 7 contracts as additional revenues generated from in-take of 3 new sites in respect of PSC contracts. Over 49% of the outstanding receivables (including approximately 73% with an aging over 90 days) relating to PSC Batch 7 contracts had been received as of June 3, 2005.
- 10 Included in the other reserves were share premium amounting to HK\$25.9 million and merger reserve of HK\$1.5 million.